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FARM COSTS AND RETURNS SURVEY

1989 SUMMARY: Delaware, Maryland, New Jersey, and New York

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National Agricultural Statistics Service
Economic Research Service
Washington, D.C. 20250

The financial position of the average farm in Delaware, Maryland, New Jersey, and New York improved slightly in 1989. Forty-four percent of the farms were in a favorable financial position, a 1-percentage-point increase over 1988. Farms in the marginal income category (low debt but negative net cash income) accounted for 47 percent of the farms, the same as in 1988. When cash sales, Government payment and other farm-related income were totaled, gross cash income averaged \$68,700, down \$5,000 from the previous year. Net cash farm income was about average for the region, but was partially offset by a larger nonfarm income source.

The average farmer in these four States operated 199 acres, the largest farms in the region. The debt/asset ratio averaged 0.09, an improvement over 1988's 0.10, and better than the U.S. average. The increase in those farming and ranching operations in a favorable position and the decline of those in marginal and vulnerable positions places these States in a better financial position than in previous years.

Figure 1--DE, MD, NJ, NY farm financial position

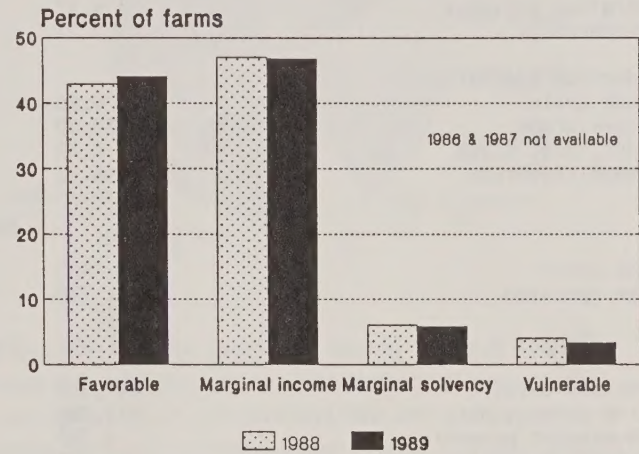


Table 1--Financial Performance of Northeast States

| | Favorable | Marginal income | Marginal solvency | Vulnerable |
|--------------------|-----------|-----------------|-------------------|------------|
| Percent of farms | | | | |
| Pennsylvania | 48 | 48 | 1 | 3 |
| DE, MD, NJ, and NY | 44 | 47 | 6 | 3 |
| New England States | 38 | 55 | 4 | 3 |
| Northeast U.S. | 44 | 49 | 4 | 3 |
| | 49 | 40 | 6 | 5 |

A farm's financial condition was measured by jointly considering the net cash income position (positive or negative) and the amount of debt relative to assets (above or below 0.40). Farms with positive income and low debt are regarded as **favorable**, while those with negative income and low debt are considered in a **marginal income** position. Those with positive income and high debt are characterized as **marginal solvency** and those with both negative income and high debt are **vulnerable**.

Table 2--Selected average operating and financial characteristics, 1989

| | New England States | DE, MD, NJ, NY | PA | Northeast | U.S. |
|-----------------------------------------------------------|--------------------|----------------|---------|-----------|---------|
| Acres per farm | | | | | |
| Acres operated ^{1/} | 164 | 199 | 145 | 173 | 470 |
| Dollars per farm | | | | | |
| Livestock sales | 29,579 | 43,703 | 35,071 | 37,822 | 31,732 |
| + Crop sales (incl. net CCC loans) | 46,367 | 20,614 | 17,518 | 24,738 | 27,524 |
| + Government payments | 898 | 1,257 | 761 | 1,011 | 3,979 |
| + Other farm-related income | 3,176 | 3,087 | 1,677 | 2,611 | 4,941 |
| = Gross cash income | 80,020 | 68,660 | 55,028 | 66,181 | 68,175 |
| - Cash expenses | 58,542 | 54,410 | 43,897 | 51,562 | 53,000 |
| = Farm operation net cash farm income | 21,477 | 14,251 | 11,131 | 14,619 | 15,175 |
| Net cash income including contractors share ^{2/} | 25,546 | 16,493 | 12,646 | 16,976 | 24,184 |
| Nonfarm income | 25,893 | 34,128 | 20,638 | 27,736 | 26,138 |
| Net worth | 529,379 | 481,267 | 382,488 | 456,385 | 356,191 |
| Ratio | | | | | |
| Debt/asset | 0.08 | 0.09 | 0.08 | 0.08 | 0.12 |

^{1/} Defined as acres owned plus acres rented (excluding AUM land) minus land rented to others. ^{2/} Farm operator net cash income plus the value of products removed by contractors minus expenses reimbursed to operators.

Table 3--Average operating and financial characteristics for Del., Md., New Jersey, and New York farms, 1989

| | Economic class | | | Financial position | |
|------------------------------------------------|-------------------------|------------------------|-----------------------|-------------------------|------------|
| | \$250,000 or more | \$40,000- \$249,999 | Less than \$40,000 | Favorable | Vulnerable |
| | <u>Percent</u> | | | <u>Percent</u> | |
| All farms | 5.50 | 25.59 | 68.91 | 44.07 | 3.29 |
| Primary occupation farming | 95.09 | 89.11 | 43.16 | 67.24 | 16.45 |
| Financial position: | | | | | |
| Favorable | 82.45 | 72.54 | 30.44 | | |
| Marginal income | 7.77 | 8.03 | 64.27 | | |
| Marginal solvency | 9.57 | 18.15 | 1.01 | | |
| Vulnerable | 0.21 | 1.29 | 4.28 | | |
| Production specialty: | | | | | |
| Cash grain | 9.16 | 6.63 | 16.34 | 9.94 | 27.19 |
| Other crops | 30.29 | 16.53 | 30.71 | 22.22 | 33.91 |
| Beef, hog, sheep | 4.33 | 4.75 | 24.74 | 11.24 | 7.07 |
| Other livestock | 56.22 | 72.10 | 28.21 | 56.60 | 31.83 |
| | <u>Acres per farm</u> | | | <u>Acres per farm</u> | |
| Acres owned | 461 | 198 | 85 | 187 | 90 |
| Acres operated | 788 | 334 | 102 | 268 | 130 |
| | <u>Dollars per farm</u> | | | <u>Dollars per farm</u> | |
| Livestock sales | 341,929 | 83,745 | 5,019 | 80,877 | 12,248 |
| + Crop sales (incl. net CCC loans) | 212,024 | 24,113 | 4,029 | 32,955 | 10,403 |
| + Government payments | 6,785 | 2,666 | 292 | 1,746 | 2,454 |
| + Other farm-related income | 9,970 | 4,881 | 1,871 | 4,503 | 469 |
| = Gross cash income | 570,708 | 115,405 | 11,211 | 120,080 | 25,573 |
| - Cash expenses | 425,155 | 85,078 | 13,415 | 83,118 | 39,122 |
| = Farm operation net cash farm income | 145,554 | 30,327 | -2,204 | 36,962 | -13,549 |
| Net cash income including contractors share | 167,471 | 36,563 | -3,016 | 38,223 | -9,947 |
| Nonfarm income | 42,199 | 16,888 | 39,885 | 26,784 | 38,495 |
| Total assets | 1,961,203 | 574,215 | 393,791 | 636,666 | 184,146 |
| Total debt | 224,119 | 69,152 | 21,647 | 42,582 | 122,898 |
| | <u>Ratio</u> | | | <u>Ratio</u> | |
| Ratios: | | | | | |
| Debt/asset | 0.11 | 0.12 | 0.05 | 0.07 | 0.67 |
| Return on assets | 0.07 | 0.04 | -0.01 | 0.04 | -0.09 |
| Cash expenses/gross income | 0.74 | 0.74 | 1.20 | 0.69 | 1.53 |
| Interest/gross cash income | 0.04 | 0.05 | 0.18 | 0.04 | 0.34 |

Source: 1989 Farm Costs and Returns Survey, USDA.

Over two-thirds of the farms surveyed in Delaware, Maryland, New Jersey, and New York in 1989 were in the smallest sales class. About 43 percent of these operators considered farming their principal occupation. Thirty-one percent of the small operations specialized in crops other than cash grains, probably fruits and vegetables. Sixty-four percent of the farms in this size group were classified as marginal income (negative income with low debt). The low net cash farm income for these small farmers can be overcome by nonfarm income which averaged \$39,900.

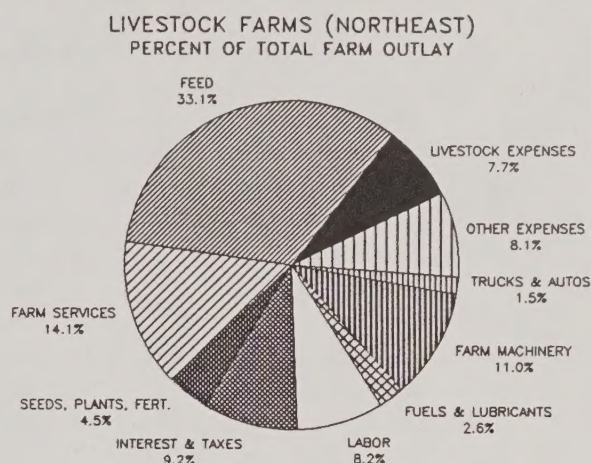
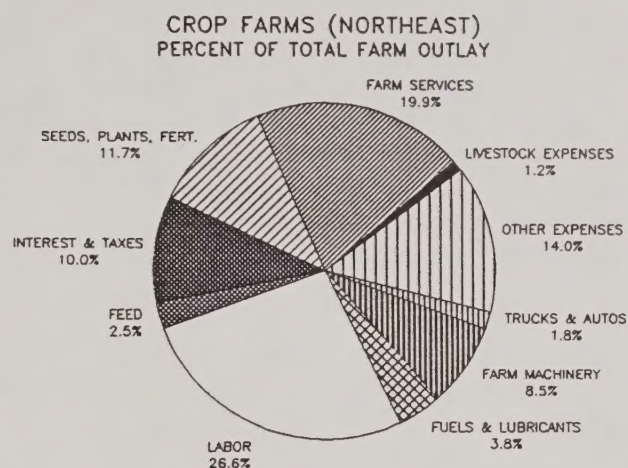
Less than 6 percent of the farms surveyed were classified as large farms with sales exceeding \$250,000. Over 82 percent of these large farms were in a financially favorable condition. Most of the operators in this size category said that farming was their primary occupation. Fifty-six percent of the large

farms surveyed classified themselves as dairy and poultry farms, with fruits and vegetables also prevalent.

Medium-sized farms were also financially healthy, with 72 percent of the farms in a favorable financial position. These farms mainly specialized in livestock (77 percent) with cash grains accounting for 7 percent and the remainder as other crops. Forty-one percent of the operated land was rented.

The debt/asset ratio was highest for those farms classified as mid-sized operations with a ratio of 0.12, the U.S. average. Comparing farms by financial position shows the favorable farms earned an average \$37,000 per operation on sales of \$114,000. The average vulnerable farm, however, lost \$13,500 on the farming operation but earned \$38,500 from off-farm employment.

Figure 2-Regional Farm Production Expenditures by Farm Type



Farm production expenditures in the Northeast totaled \$8.4 billion, up 7.2 percent from 1988, according to the National Agricultural Statistics Service (NASS), USDA. In comparison, United States production expenditures were \$124.1 billion, an increase of 4.9 percent from a year earlier. Major increases regional expenses for trucks & autos, feed, and seed were partially offset by lower expenditures for livestock purchases and fertilizer.

Expenditures by livestock farms at \$5.6 billion were 66 percent of the total regional expenses compared to 67 percent in 1988. Major expense items on livestock farms were feed (33 percent) and farm services (14 percent). A little over 60 percent of the crop farm expenses in the Northeast were for labor (27 percent), farm services (20 percent), farm machinery (9 percent), and seeds & plants (6 percent).

Table 4 -- Selected production expenditures by type of farm, 1989

| Northeast (CT, DE, ME, MD, MA, NH, NJ, NY, PA, PI, AND VT) | Crop farms | Livestock farms | All Farms | |
|------------------------------------------------------------------|---------------|--------------------|---------------|-------------|
| | | | Region | U.S. |
| | | | 1,000 Dollars | |
| Total farm production expenditures | 2,841,241 | 5,589,192 | 8,430,434 | 124,123,722 |
| Livestock & poultry | 34,567 | 429,953 | 464,520 | 14,019,495 |
| Feed | 71,210 | 1,852,457 | 1,923,666 | 18,225,017 |
| Farm services | 564,530 | 787,181 | 1,351,711 | 26,739,285 |
| Ag Chemicals & Sprays | 111,936 | 96,141 | 208,077 | 4,548,318 |
| Fertilizer | 153,009 | 170,463 | 323,472 | 7,190,920 |
| Interest | 144,271 | 293,892 | 438,163 | 8,408,597 |
| Taxes (property & real estate) | 138,751 | 219,848 | 358,599 | 4,183,392 |
| Labor | 756,686 | 460,624 | 1,217,311 | 11,340,182 |
| Fuels & lubricants | 107,645 | 144,215 | 251,859 | 4,449,270 |
| Farm supplies | 131,226 | 139,588 | 270,813 | 2,351,251 |
| Building & fencing | 125,683 | 172,430 | 298,114 | 2,297,420 |
| Farm & land improvements | 22,599 | 41,615 | 64,215 | 883,450 |
| Total farm machinery | 243,065 | 614,360 | 857,424 | 12,869,156 |
| Seeds | 179,679 | 78,618 | 258,297 | 3,855,168 |
| Trucks & autos | 50,713 | 84,856 | 135,569 | 2,129,107 |
| Other unallocated expenses | 5,672 | 2,952 | 8,624 | 633,694 |

In this report...

The financial position of the average farm in Delaware, Maryland, New Jersey, and New York improved slightly in 1989, according to this report which summarizes the latest information from the Farm Costs and Returns Survey (FCRS). The FCRS was conducted by the Agricultural Statistics Service offices in Delaware, Maryland, New Jersey, and New York as part of a national survey during February and March 1990. Over 24,000 farmers and ranchers were contacted nationwide. Individuals surveyed were chosen from a list of farm operators supplemented with producers living inside randomly selected geographical areas to ensure representation of all farms which sell or normally sell at least \$1,000 of agricultural products.

Estimates of the distribution of farms and other averages of survey data do not represent official USDA estimates, but are results of the Survey. Since the FCRS is a probability sample, each respondent represents a number of farms of similar size and type. Thus, sample data can be expanded by appropriate weights to represent the U.S. population of farm operations. Estimates based on the expanded sample differ from what would have occurred if a complete enumeration had been taken and thus are subject to sampling variability. Data collection procedures are uniform and consistent across the Nation by using extensive training and field supervision of data collectors. Efforts are also undertaken to minimize other nonsampling errors by using extensive edit and data analysis. The extent of nonsampling errors is not known or measurable.

In tables 1 through 3, the ERS estimates consider only cash expenses necessary for the annual operation of the farm business. Contractual expenses and income associated with agricultural production are included in a separate net income measure. Net cash income including the contractor's share is comparable with estimates published in prior years. NASS production expenditure data in table 4 differ from the Economic Research Service (ERS) total cash operating expense estimates. In general, NASS total farm production expenditures exceed the operator's cash expenses by the amount of landlord expenses and capital purchases.

For additional information...

Requests for additional information should be directed to the State Statistician in your local Agricultural Statistical Service office. *Other publications on farm economic data will be available later this year.*

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